

**Illinois Power Company
IIEC First Data Request
IIEC-IP-1-3
Docket No. 03-0022**

Item No. IIEC-IP-1-3:

Referring to Page 17 of Mr. Schukar's testimony, he states that the transmission asset sale will not change how customers take service under Rider PPO. Concerning this statement, please provide a hypothetical customer transition charge calculation assuming the transmission asset sale is made, and where the transmission asset sale is not made. Explain whether the sale affects the transition charge calculation for a customer taking PPO service. Provide all supporting workpapers.

Response:

The table below shows the transition charges for a hypothetical SC 21 customer under various transmission rate scenarios. In each scenario, the transmission rate is the only variable assumed to change. The procedure used to calculate the transition charge will not change as a result of the transmission sale, although the resulting transition charge may change due to various potential outcomes regarding the level of transmission rates.

Transition Charge Estimates Under Various Transmission Assumptions			
	Scenario	Transition Charge (Cents/kWh)	Transmission Rate Used in TC Calculation (Cents/kWh)
1	No Sale, Existing IP Transmission Rates	1.173	0.140
2	No Sale, Future IP Transmission Rates	1.135	0.178
3	Sale, Future IETC Transmission Rates	1.101	0.212

The requested work papers are attached in Schedule IIEC-IP-1-3.1

Information provided by:
Shawn Schukar and
Leonard M. Jones

BAL-4: Please provide the calculation of what Illinois Power's transmission revenue requirement would be if it were calculated using the non-levelized FERC method. In other words, perform the calculation the same way as IP performed the calculation in the past. Please provide the electronic spreadsheet that shows the calculation.

Response:

Per discussion with Bruce Larson of the ICC Staff, it was clarified that he wanted the transmission revenue requirements (RR) associated with IP's Transmission for IP's existing transmission rates and for the other two rates referred to in IP's response to IIEC First Data Request Item 3 as "No Sale, Future IP Transmission Rates" and "Sale, Future IETC Transmission Rates. The requested information is provided below.

Rate Scenario	Transmission Service RR
No Sale, Existing IP Transmission Rates	\$24,750,000
No Sale, Future IP Transmission Rates	\$33,254,000
Sale, Future IETC Transmission Rates	\$47,404,000

The revenue requirement for the "No Sale, Existing IP Transmission Rates" is the result of a negotiated settlement so there is no detail to provide that shows the calculation of the revenue requirements. The details of the calculation of the revenue requirements for the "No Sale, Future IP Transmission Rates" are provided in the attached spreadsheet as Schedule BAL-4.1. IP only has a PDF version of the calculation detail for the "Sale, Future IETC Transmission Rate" which is also attached as Schedule BAL 4.2.

Information provided by:
Shawn Schukar
Vice President Energy Supply Management
217-424-7075

REQUEST NO. POL 1.1

On page 5 of Paul McCoy's direct testimony (IETC Ex. 1), he states "Independent transmission ownership provides the key ingredient missing from the electric industry restructuring equation: the application of capital to transmission needs unfettered by the competing financial needs and interests so often found in vertically integrated utilities." Mr. McCoy goes on to state that the benefits of IETC's ownership of Illinois Power transmission assets "will come from the independent ownership of the assets within an RTO." (IETC Ex. 1, p. 11). Mr. McCoy defines this independence as IETC having "no other lines of business which may be competitively or financially impacted by not expanding transmission capacity." (IETC Ex. 1, p. 11). What guarantees, beyond a "business plan" statement, is IETC prepared to provide that IETC will indeed be, and remain, independent of "other lines of business which may be competitively or financially impacted" by IETC ownership and management of transmission lines? Would IETC be willing to make a commitment to remain independent of other lines of business—including retail electric suppliers—which may be competitively or financially impacted as an ongoing condition of its status as a certified public utility under the Illinois Public Utilities Act?

RESPONSE: IETC has made a commitment to operate as an independent transmission company through its structure, organization, financing, and requested regulatory treatment. All of IETC's projections and plans are based on IETC becoming and remaining a transmission-only utility. Moreover, IETC, for example, *could not* function as an ARES without securing the approval of this Commission, and were it do so IETC would lose its status as a non-market participant in the eyes of the Federal Energy Regulatory Commission. Furthermore, when the record in this Docket is complete, the Commission will have the sworn statements of officers of

IETC, in the form of a verified petition and testimony under oath, stating openly and fully not only what IETC's business is, but what its intentions are for its business in the future. Not only has IETC made these representations to this Commission, but these representations also form the explicit basis for the rate treatment sought by IETC to its other regulator, FERC, and that status is confirmed as well in Trans-Elect's Form U-1 filed with the Securities and Exchange Commission. IETC renews those representations in this response to Staff's data request: Upon approval of the requested relief, IETC will be an independent transmission utility and it has no plans or intentions whatsoever to become a market participant by becoming involved in other businesses which may be competitively or financially impacted as an ongoing condition of its status as a certified public utility under the Illinois Public Utilities Act.

IETC believes that it is fundamentally reasonable for the Illinois Commerce Commission to rely on these statements and plans in judging IETC's application, just as it does for other applicants, and believes that the Commission retains the authority to issue appropriate orders if at any time IETC, as a public utility regulated in Illinois, acts contrary to law or its Certificate. *See, e.g., 220 ILCS §§ 8-406(f), 8-502, 8-505.* While IETC does not believe that it would be lawful, even if agreed to by IETC, for the Commission to condition a Certificate on IETC's advance waiver of other rights, IETC notes that it has requested a Certificate to operate *only* as a transmission utility and it has no objection to the Certificate it requests being clearly limited to exercise of that authority only.